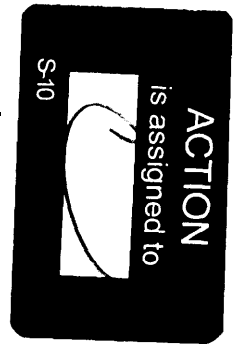


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American Express estimates potential consumer cost increase of more than \$500 million, if industry follows United airlines' Commission cut

Travelers Should Brace for Cost Hike at a Time of Record High Business Fares

NEW YORK -- November 16, 1998--Last week's action by United Airlines to reduce travel agency commissions on its international flights will translate into higher travel costs for business and leisure travelers, according to American Express. Should other airlines follow suit, American Express warns the traveling public to brace for a \$500 million increase in travel costs.

United Airlines' announcement November 12 further slashed the commission it pays to travel agencies and companies, setting a \$100 "cap" on commissions for international roundtrip flights after reducing it last year to 8 percent.

American Express reacted **swiftly** to United Airlines' announcement by alerting corporate clients on Friday that the move amounts to an indirect fare increase and suggesting they call United to protest the move.

"At a time of record profits and declining international **traffic**, United Airlines has effectively raised fares and disguised the move as a cost savings. Ordinarily when suppliers cut costs, the savings are passed along to customers. The reverse is true here. Business travelers, already reeling from record-high business airfares, will be hit especially hard," said Ed **Gilligan**, President, American Express Corporate Services. "Because most companies receive the commission and pay their agencies a management fee, firms will be paying more when they fly United. Should other airlines follow suit, companies will pay an average of three to four percent more on international travel."

"Our larger clients are not sitting still. Those who have negotiated fares with United based on specific levels of volume are telling the airline that they can no longer commit to the volume originally negotiated. Some are already looking to other carriers instead," **Gilligan** noted.

On one of the most popular international routes, New York to London, the commission paid on a \$5,300 business class roundtrip ticket would plummet 75 percent. On a \$2,580 full coach roundtrip ticket, the commission would fall by 49 percent. The company would have to absorb the shortfall.

Leisure and **small business travelers will also feel** the impact. "This additional commission cut makes it even more expensive for travel agents to handle complex international reservations," **Gilligan** added. "The majority of travel agencies are already charging service fees. They'll have no choice but to raise them, especially if other airlines take similar actions. Travelers who want to avoid agency fees may choose to go directly to the airline for tickets. But it's difficult to imagine **any** airline recommending another carrier for a better price. The agent's role -- searching out airfare values among **all** carriers -- U.S. and foreign and knowing the details of special offers and restrictions -- is particularly important on more expensive and complex international bookings."

American Express, like other travel agents, is studying other ways to help customers cope with the cost increase resulting **from** this commission cut. "As a member of the travel agency community,

American Express fully supports the recommendations of the American Society of Travel Agents that agents voice their protest," said **Gilligan**.

Before last week's action by United, travel agencies and their clients had absorbed nearly a billion dollars in higher travel costs as a result of commission restructuring by the airlines since 1995.

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